



## Bill to get power plants on-line faster passes Assembly

Key legislation designed to speed California's process for approving new power plants was passed Monday by the Assembly.

The bill, SB 28x, is seen by lawmakers as a major step toward providing more power plants but not necessarily by this summer.

The legislation was designed as an urgency measure to take effect immediately upon the signature of Gov. Gray Davis. The Senate vote to send the measure to Davis could come Thursday, officials said.

Assembly Republicans supported SB 28x, which passed Monday by a vote of 67-4, but some said it doesn't go far enough in solving the energy crisis.

The legislation is expected to cost the state \$3.2 million to implement. Key provisions of SB 28x would:

Require cities, counties and other local agencies to submit initial comments on a power plant application within 45 days of its filing. Final comments would be due within 100 days. Current law has no such deadlines.

Require the California Energy Commission to issue final decisions on certifying "repowering" projects -- modernization of existing plants -- within 180 days, instead of a year.

Extend by 17 months -- until Dec. 31, 2002 -- an expedited siting process for temporary power plants, known as "peakers."

Require payment of unemployment-compensation benefits to workers left jobless in any week because of unscheduled power outages caused by shortages of supply.

Provide incentives for "distributed generation" in which homeowners or merchants produce electricity for themselves and others using solar panels, turbines or other such equipment. Utility fees, called "standby charges," would be waived up to 10 years for most such customers.

Assemblyman Fred Keeley, D-Boulder Creek, said a number of power plants already are in the process of approval or construction.

But SB 28x is needed to meet the state's ultimate goal of providing a 15 percent to 20 percent excess of electricity supply over demand, he said.

"This bill takes governmental powers and brings them to bear on new generation, so it will be brought online as quickly as possible," he said. "That's a positive thing."

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### Message Points – SB 28X

- There are three things that must happen to help us end the energy crisis that continues to confront us.
    - ✓ **We must decrease the demand for power.** The Legislature has already put in place the most extensive conservation package in U.S. history. California's conservation programs now are greater than those of the entire federal government.
    - ✓ **We must have help from federal regulators.** Energy producers who have reaped profits twice as high and even higher than ever before must be reined in to a level of reasonableness. Without such federal assistance, California's economy will be strained to the breaking point. The Speaker and others have prodded FERC to provide such assistance and FERC has announced a plan to require power producers to sell to California at reasonable rates during Stage 3 power emergencies.
    - ✓ **We must rapidly increase the supply** so that the demand for power can be met adequately so that it will be impossible in the future to hold the state hostage for outrageous prices.
  - Under this legislation, a number of steps will be taken to bring more power supply on line quickly. Among other things, SB 28X will:
    - ✓ Reduce the amount of time a local government has to comment on a power plant application.
    - ✓ Ends for ten years the charges utility companies place on consumers who build their own power.
    - ✓ Provides that temporary "peaker" plants – plants needed to help get us through the summer – can continue to be sited in a 4-month expedited process until Dec. 31, 2002.
    - ✓ Speeds up the CEC process for certifying "repowering" projects, older power plants that have been off-line that can be retrofitted.
    - ✓ Allows workers temporarily laid-off because of power outages to be paid unemployment compensation and not charged to the employer's account.
  - This bill will help us bring hundreds of new megawatts on line quickly, some of which will be available to help us reduce the threat of rolling blackouts this summer.
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### **\$5.1 billion for power**

California has spent \$5.1 billion from the state budget purchasing electricity this year, state legislators learned Monday, as the Assembly approved legislation to boost energy supplies by speeding power plant construction. The tally by the Department of Finance means that California has been spending an average of \$54 million a day since it started buying the electricity that the state's major private utilities could no longer afford. The continued purchases are taking a dramatic toll on the state budget, and on Monday, state Treasurer Phil Angelides warned legislators that if the budget is not repaid soon, the state's credit rating could soon be downgraded on Wall Street.

### **Regulators weigh price controls**

WASHINGTON -- Federal energy regulators are reviewing a proposal to restrict wholesale electricity prices in California during the severe power shortages expected this summer.

The proposal, which the Federal Energy Regulatory Commission is to consider Wednesday, also would require producers to sell power for California's grid during power emergencies.

The commission has faced growing political pressure to find new ways to address allegations of price gouging in the Western power markets, where wholesale costs are 10 times what they were a year ago and are expected to increase in the coming months.

The staff proposal, reflecting the views of its Republican chairman, Curtis Hébert, aims to avoid the term "price caps," instead viewing the plan as limited "price mitigation" that would seek to blunt severe price increases but not threaten supplies, according to a staff summary.

It proposes that price restrictions be limited to California and only at times of so-called Stage 3 emergencies, when electricity reserve margins virtually disappear, raising the prospects of rolling blackouts.

The commission has reviewed thousands of wholesale power transactions during the first three months of this year and has singled out \$124.5 million in alleged overcharges. California officials say many times that amount should be recovered in refunds because of price gouging. A recent California report put alleged overcharges during the past year at more than \$6.2 billion.

The new "price mitigation" plan is aimed at preventing the most severe price run-ups ahead of time, instead of having to seek refunds later, according to several of the commissioners.

But the staff proposal is short of what even some members of the commission have wanted, since it limits price intervention to only the most severe emergency periods.

While Hébert, the Republican commission chairman, has stood firm in his opposition to price controls, he has indicated he might go along with some very limited form of price mitigation if it can be shown not to inhibit producers from expanding power supplies.

Linda Breathitt, one of two Democratic commissioners, has indicated she is leaning toward some price intervention.

The third commissioner, William Massey, also a Democrat, has all along argued for across-the-board price caps.

### **Plan B: buy SCE outright**

If Gov. Gray Davis' proposal for the state's purchase of the Southern California Edison transmission system is rejected by the Legislature, Assembly Democrats hope to quickly offer a "Plan B" as an alternative to bankruptcy.

Among the most head-turning options being considered -- though hardly an easy or inexpensive one -- is a state purchase of the entire Edison utility.

Assembly Speaker Robert Hertzberg, D-Van Nuys, and a working group of a half-dozen Assembly Democrats also are considering a plan to pay off Edison's debt with a bond financed by a tax on Edison property.

Some legislators believe the utility's bankruptcy may be the best way to deal with power generators and move toward a resolution of the state's energy crisis. Others fear that if Edison joins Pacific Gas and Electric in bankruptcy, the amount of power the state would be forced to buy would increase sharply.

Under the governor's plan, the state would pay \$2.76 billion for the Edison transmission system.

Although a price tag for purchasing the utility is not available, it could be several times higher than the cost of the transmission lines -- considering that the utility has 13,000 employees, neighborhood distribution lines, five generators, and billing and service departments.

Assemblyman Fred Keeley, D-Boulder Creek, said Hertzberg is not concerned that purchase of the Edison transmission system is a "bad idea," but wants to avoid being caught unprepared if the purchase is not approved by the Legislature.

"If it were to crater for whatever reason," Keeley said, "then the Legislature is left flat-footed, not having thought about what their backup was."

"I think the history of bankruptcy is that creditors don't customarily get 100 cents on the dollar," Keeley said. "We will want to make sure that if we can move forward with a plan proposed by the governor that we amend it sufficiently that it is not a richer deal for the generators and the investor-owned utilities than bankruptcy would be."

"It's the agreement or bankruptcy," Bob Foster, Edison senior vice president, said during a briefing for reporters.

Foster and the governor both said that if Edison joins PG&E in bankruptcy, the amount of power that the state must purchase for utility customers could soar.

### **Diablo Canyon unit closing**

California will be entering a phase of extremely tight energy supply beginning Sunday, when a major power-producing unit of PG&E's Diablo Canyon nuclear plant goes out of service for more than a month of refueling and repairs. The resulting loss of 1,100 megawatts -- about 3 percent of the state's power demands at the moment -- will leave very little breathing room between electricity generation and consumption for about two weeks, until about mid-May, according to the California Independent System Operator, the agency that operates California's electricity grid.

<b>FERC decision on Stage 3 emergencies due tomorrow</b>
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